

Message Text

PAGE 01 STATE 171993

64

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FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA IMMEDIATE

C O N F I D E N T I A L STATE 171993

LIMDIS

E.O. 11652: GDS

TAGS: CG, US, ENRG, EFIN

SUBJECT: GOZ REQUEST FOR HELP ON POL

REFS: KINSHASA 6690; STATE 170930 AND 170881

FOR AMBASSADOR VANCE

1. IN COURSE OF DAY JUNE 21, DEPTOFF DISCUSSED MOBUTU REQUEST FOR ADVANCE OF POL WITH GULF WASHINGTON REP STEWART NELSON AND WITH HERBERT HORTON, REGIONAL DIRECTOR OF GOVERNMENT AGREEMENTS, EASTERN HEMISPHERE. HORTON, BASED IN LONDON, HAS DIRECT RESPONSIBILITY FOR ZAIRE PROJECT. BOTH CONSULTED WITH MANAGEMENT IN PITTSBURG (H.E. HANSON, VICE PRESIDENT FOR GOVERNMENT AGREEMENTS AND HIS DEPUTY, E.R. DICK, WHO NEGOTIATED ZAIRE CONCESSION) AND CALLED BACK WITH WHAT MAY BE TAKEN AS CLEARED COMPANY POSITION. THIS IS, IN SHORT, THAT GULF UNABLE ACCOMMODATE MOBUTU. THIS WAS CONVEYED BY KING JULY 16 TO MPEYE OF PETROZAIRE, WHO REPORTEDLY RECEIVED NEWS WITH EQUANIMITY. RATIONALE OFFERED FOR POSITION RUNS ALONG FOLLOWING LINES:

--GULF IS ALREADY AT RISK FOR DOLLARS 40 MILLION ON ZAIRE PROJECT, INCLUDING DOLLARS 27.5 MILLION ROTHCHILD-SYNDICA-
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PAGE 02 STATE 171993

TED LOAN, AND HAS YET TO GET A PENNY IN RETURN. IT IS CONTINUING EXPLORATION WORK AT RATE OF DOLLARS SEVEN TO EIGHT MILLION A YEAR AND IS KEEPING TWO DRILLING RIGS IN OPERATION AGAINST URGING OF JAPANESE PARTNER THAT NUMBER

BE REDUCED TO ONE. IN SHORT IT IS ALREADY DOING ITS PART TO CREATE FUTURE FOREIGN EXCHANGE RESOURCES FOR ZAIRE.

--FOR RELIEF IN PRESENT SITUATION, ZAIRE SHOULD LOOK TO "TRADITIONAL" SUPPLIERS: ALGERIA, LIBYA AND THE NATIONALIZED DISTRIBUTION COMPANIES.

--AFTER CONSULTATION WITH PITTSBURG, HORTON ADDED ALSO THAT GULF WOULD NOT WANT TO BECOME PARTY TO ARRANGEMENT ENCOMPASSING SETTLEMENT OF TEXACO AND MOBIL COMPENSATION CLAIMS, WITH WHICH IT WOULD NOT WANT TO BECOME INVOLVED IN ANY WAY.

2. IN FIRST DISCUSSION HORTON MADE CLEAR THAT DECISION COMMUNICATED TO PETROZAIRE HAD BEEN BASED ON ASSUMPTION GULF WOULD BE PROVIDING RELIEF ALONE. HORTON SAID POSSIBILITY OF SHARING RISK WITH MOBIL AND TEXACO HAD NOT REALLY BEEN CONSIDERED AND THAT THIS WOULD CERTAINLY MAKE ARRANGEMENT LESS UNDESIRABLE, ALTHOUGH STILL SOMETHING COMPANY WOULD PREFER TO AVOID. GULF WOULD CERTAINLY BE WILLING AT LEAST TO EXPLORE THIS. AFTER CONSULTATION WITH PITTSBURG, HOWEVER, WORD WAS THAT COMPANY NO MORE INTERESTED IN MULTILATERAL ARRANGEMENT THAN IN BILATERAL.

3. WHILE GULF CLEARLY HOPES TO AVOID BEING DRAWN INTO ARRANGEMENT FOR ADVANCE OF POL, BOTH NELSON AND HORTON ACKNOWLEDGED THAT IT WILL HAVE TO RETHINK ITS POSITION IF MOBUTU BECOMES INSISTENT. NEXT MOVE IS HIS, HOWEVER, AND UNTIL HE MAKES IT GULF INTENDS TO SIT TIGHT.

4. COMPANY'S RELUCTANCE MAY BE RELATED TO MORE THAN GENERAL CONCERN ABOUT LENDING TO A COUNTRY IN AS DEEP FINANCIAL TROUBLE AS ZAIRE IS. HORTON SAID THAT WHILE GULF THINKS PROSPECTS FOR ZAIRE FIELD ARE EXCELLENT ("IN TIME, PROBABLY ANOTHER GABON"), THERE ARE RESERVOIR PROBLEMS; AND LIMITED TESTING CARRIED OUT SO FAR ONLY CONFIDENTIAL

PAGE 03 STATE 171993

ESTABLISHES PRESUMPTION, RATHER THAN ASSURANCE, OF INITIAL PRODUCTION OF 25,000 BPD PRESENTLY PREDICTED. EVEN IF PRODUCTION EXPECTATIONS ARE MET, FOR FIRST YEAR OR SO ZAIRE'S TAKEOFF WOULD COMPRISE ROYALTIES ONLY AND WOULD BE IN 3500-4500 BPD RANGE. AT THIS RATE, HORTON ESTIMATED, PAYOFF OF POL ADVANCED OVER NEXT SIX MONTHS WOULD TAKE UP TO TWO YEARS. DEPTOFF CALCULATES NEARLY THREE YEARS AT DOLLARS 11/BARREL AND 4000 BPD, BUT KING SHOULD BE ABLE TO FIGURE IT MORE PRECISELY. PERIOD WOULD INCREASE BY AT LEAST HALF IF PAYMENT WERE ALSO TO COVER COMPENSATION AT LEVEL MOBIL AND TEXACO ENVISAGE. THIS CALCULATION PRESUMES THAT ALL OF ZAIRE'S TAKEOFF

WOULD BE AVAILABLE FOR REPAYMENT OF ADVANCE PLUS
COMPENSATION. BUT IT SEEMS REASONABLE TO EXPECT THAT
ZAIRE'S FINANCIAL POSITION IN JANUARY WILL STILL BE SUCH
THAT IT WILL WANT TO USE AT LEAST PART OF ITS TAKEOFF
TO OFFSET ITS CURRENT POL COSTS.

5. GULF SUGGESTS THAT AMBASSADOR VANCE DISCUSS COMPANY'S
POSITION FURTHER WITH KING. WHILE HORTON IN FIRST
CONVERSATION AGREED THAT IT WOULD BE REASONABLE FOR VANCE
TO SIT DOWN WITH WILLIAMS OF MOBIL OIL AND KING

TOGETHER, AFTER CONSULTATION WITH PITTSBURG HE PUT
EMPHASIS ON CONSULTATION WITH KING ALONE.

6. AFTER REVIEWING INFO PARA TWO STATE 170881 WITH
DEPTOFF, HORTON SAID HE FELT IT WOULD BE WORTHWHILE TO
AT LEAST TOUCH BASE WITH OPIC AND PROMISED INFORM DEPTOFF
OF RESULTS. UNLESS AND UNTIL COMPANY SUBJECTED TO
FURTHER PRESSURE BY MOBUTU, HOWEVER, IT SEEMS UNLIKELY
THAT GULF WILL SERIOUSLY RECONSIDER POSITION WITH OR
WITHOUT POSSIBILITY OF SOME OPIC INSURANCE.

7. DEPTOFF ALSO RELATED GIST OF VANCE-MOBUTU CONVERSA-
TION TO T.D. HENSHAW, TEXACO GENERAL MANAGER INTERNATIONAL
SALES, WHO HAS BEEN PERSONALLY INVOLVED WITH ZAIRES
COMPENSATION CLAIM. HENSHAW INITIALLY SHOWED SURPRISE
AND SOME DISPLEASURE THAT TEXACO'S NAME HAD BEEN INJECTED
INTO CONVERSATION. HE SAID TEXACO INTERESTED IN COMPENSA-
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PAGE 04 STATE 171993

TION, NOT FURTHER RISK; GOZ HAD NOT APPROACHED THEM TO
ADVANCE POL, AND THAT WAS FINE WITH TEXACO. DEPTOFF
ASSURED HIM THAT TEXACO HAD BEEN MENTIONED ONLY WITH IDEA
OF EXPLORING ARRANGEMENT WHICH MIGHT EXPEDITE PAYMENT OF
COMPENSATION. AFTER SOME DISCUSSION, HENSHAW SHOWED
SLIGHT GLIMMER OF INTEREST AND PROMISED TO CONSULT WITH
OTHER MANAGEMENT AND CALL BACK JULY 22. KISSINGER

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